

CITY COUNCIL AGENDA TOPIC

Ordinance of the City of Bellevue, Washington, providing for the issuance and sale of one or more series of limited tax general obligation bonds in the aggregate principal amount of not to exceed \$90,000,000 to finance costs to refund certain limited tax general obligation bonds of the City, to acquire property, and to pay costs of issuance of the bonds; providing for the disposition of the proceeds of sale of the bonds; and delegating the authority to approve the method of sale for and final terms of the bonds.

John Resha, Chief Financial Officer/Director
Michael Chandler, Controller
Finance & Asset Management Department

EXECUTIVE SUMMARY**ACTION**

Current market conditions provide an opportunity to refund (or refinance) the city's 2015 bonds which will yield significant savings to the city and its taxpayers. Actual savings from the refunding will vary depending on market circumstances on the date of sale of the bonds. The proposed limited tax general obligation (LTGO) bonds also will include a new money component to fund costs of property acquisition.

The ordinance will delegate authority to the City Manager and/or the Director of Finance & Asset Management (FAM) to approve the method of sale for and final terms of the bonds, subject to parameters in the ordinance.

RECOMMENDATION

Move to adopt Ordinance No. 6912

BACKGROUND/ANALYSIS

The city's debt portfolio is routinely reviewed by the city's financial advisors (Piper Sandler & Co.) and monitored by staff for cost savings opportunities including refinancing options. In accordance with the City's Debt Policy, a debt refunding will require a present value savings of 3% of principal amount of the refunding debt being issued. Current market conditions provide for over 3% savings with an estimated net present value savings of \$1.7 million over the life of the bonds.

The 2015 Bonds being refunded were issued to fund various capital projects and to refund then outstanding bonds. These bonds have final maturities in 2026, 2027, and 2034, respectively. There are four components to the 2015 Bonds being refunded by the 2026 Refunding Bonds:

- 1) 2015 (2006 Refunding) Series bonds were issued in an original principal amount of \$3.3 million. These bonds have \$405,000 in current outstanding principal.
- 2) 2015 (2008 Refunding) Series bonds were issued in an original principal amount of \$7.9 million. These bonds have \$1.9 million in current outstanding principal.

- 3) Bellevue Convention Center Authority (BCCA) related bonds originally issued for \$7.6 million for the purpose of funding improvements of the Meydenbauer Center. These bonds have \$4.5 million in current outstanding principal.
- 4) Metro & CIP bonds originally issued in the amount of \$79.1 million to provide funding for property acquisition and various capital projects. These bonds have \$46.4 million in current outstanding principal.

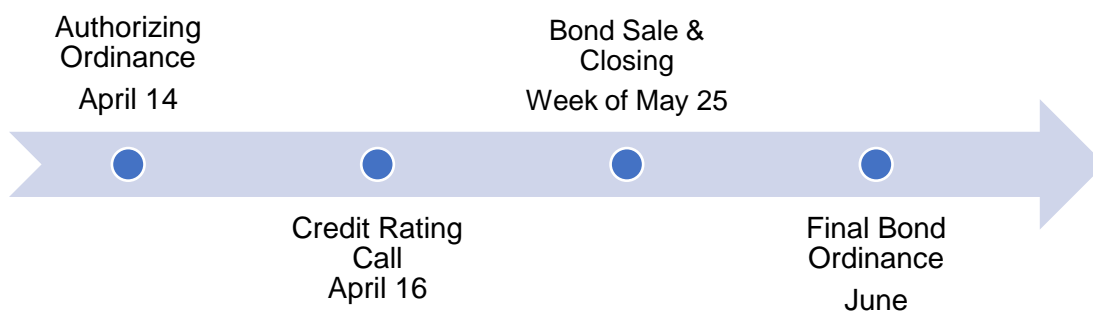
The ordinance would authorize the sale of refunding bonds in an aggregate principal amount of approximately \$53,200,000. The pledged security for the Refunding Bonds will remain substantially the same as for the 2015 Bonds. A portion of the 2015 Bonds' debt service, the BCCA bonds, was and will continue to be paid by the Hotel/Motel Tax. The funding stream for the Hotel/Motel Tax portion will remain intact and in effect with the refunding.

The issuance of LTGO debt includes additional monies for the purpose of a property acquisition anticipated to close in 2026. While the City Council previously authorized acquisition of the property, the final terms and date for closing on the acquisition have not been determined as of this council meeting.

In keeping with prior council direction, the draft ordinance provides delegation authority to a "Designated Representative," i.e., the City Manager and/or FAM Director. The Designated Representative would have the authority to approve the method of sale for each series of bonds, designate such series as Tax-Advantaged, Tax-Exempt or Taxable Bonds (as defined in the ordinance), select the bonds to refund from among the outstanding 2015 Bonds, and determine the final interest rates, aggregate principal amount, principal maturities, and redemption rights for each series of bonds in the manner provided hereafter so long as:

- the aggregate principal amount of all series of the bonds does not exceed \$90,000,000;
- the final maturity date for each series bonds is no later than December 1, 2046;
- each series of bonds are sold (in the aggregate) at a price not less than 98% and not greater than 125%;
- the issuance of the refunding portion of the bonds results in a present value debt service savings equal to at least 3% of the principal amount of the bonds; and
- the true interest cost for any tax-exempt bonds (in the aggregate) does not exceed 5% and for any taxable bonds does not exceed 6%.

The timing of events for the debt issuance is shown below:



POLICY & FISCAL IMPACTS

Policy Impact

RCW 39.46.110 authorizes municipalities to issue limited tax obligation bonds for city purposes.

City Debt Policy: Refunding Debt - A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as by a desire to remove or change a bond covenant, a debt refunding will require a present value savings of 3% of the principal amount of the refunding debt being issued.

Fiscal Impact

The new money portion of LTGO debt related to property acquisition will have a 20-year maturity, an anticipated interest rate of 4%, and annual debt service payments of approximately \$2.25 million.

Refunding the 2015 Bonds is expected to provide net present value debt service savings of approximately \$1.7 million over the life of the bonds.

OPTIONS

1. Adopt the Ordinance of the City of Bellevue, Washington, providing for the issuance and sale of one or more series of limited tax general obligation bonds in the aggregate principal amount of not to exceed \$90,000,000 to finance costs to refund certain limited tax general obligation bonds of the City, to acquire property, and to pay costs of issuance of the bonds; providing for the disposition of the proceeds of sale of the bonds; and delegating the authority to approve the method of sale for and final terms of the bonds.
2. Do not adopt the Ordinance and provide alternative direction to staff.

ATTACHMENTS

Proposed Ordinance No. 6912

AVAILABLE IN COUNCIL LIBRARY

N/A